

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

31 AUG 1981

Gentlemen:

We have considered your application for exemption from Federal income tax under the provisions of Section 501(a) and as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Section 501(c)(3) of the Code exempts organizations "... organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, ... no part of the net earnings of which inures to the benefit of any private shareholder or individual..."

Income Tax Regulation 1.501(c)(3)-1(d)(1)(ii) indicates that in order to meet the operational test, an organization must be engaged in activities furthering "public purposes," rather than private interests. It must not be operated for the benefit of designated individuals or the persons who created it.

In your organization's case, the operational test has not been met. The organization is providing consulting services for various entities and charging fees in a manner similar to that of a commercial enterprise. Any public benefit derived from the nature of the consulting service is incidental to the private benefit being served. Accordingly, it is held that you are not exempt from Federal income tax under Section 501(c)(3) of the Code.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428 (b) (2) of the Internal Revenue Code provides in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service". In that event we will notify the appropriate

[REDACTED]

State officials, as required by section 6104(c) of the Code, that based on the information we have available, we are unable to recognize you as an organization described in Code section 501(c)(3).

Publication 892 accompanies this letter and describes your appeal rights fully, should you decide to appeal this ruling. If we do not hear from you within thirty days this will become our final determination on the matter.

You are required to file Federal income tax returns on Form 1120 (or other appropriate form) within two and one-half months following the end of your annual accounting period.

Sincerely yours,

[REDACTED]
District Director

Enclosure:
Publication 892